

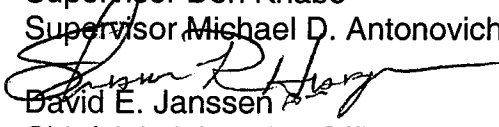


County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

March 30, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich
From: 
David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

AUTOMATED TRACKING OF LIVING WAGE CONTRACTS

On December 5, 2006, your Board directed my Office, the Auditor-Controller, Affirmative Action Compliance Officer, and the Director of Internal Services, working in concert with County Counsel, to prepare an update to the rate structure for the Living Wage Ordinance, increasing the rates to \$9.64 per hour with healthcare benefits and \$11.84 per hour without healthcare benefits, respectively. On February 6, 2007, your Board approved our recommendations to adopt an Ordinance amending the Living Wage Program (LWP) to implement your Board's directive to increase the Living Wage (LW) rates.

Your Board also instructed my Office, working with other applicable departments, to develop and implement an automated solution to accurately track and project impacts associated with LW contracts. This correspondence serves as our response to your Board on that directive. Specifically, we are providing your Board with the following information for your consideration:

- ***Solution to tracking LW contract costs; and***
- ***A format for the annual presentation of LW contract costs.***

The Auditor-Controller (A-C), the Internal Services Department, Office of Affirmative Action Compliance (OAAC), Department of Public Works, and County Counsel concur with this memorandum.

Solution for Tracking Living Wage Contract Costs

OAAC maintains a database of active LW contracts which is continuously updated as departments are required to provide OAAC with timely notice of their Proposition A and cafeteria services contract awards. OAAC's database, however, does not maintain cost information necessary to track the impacts associated with the LWP. In addition, because departments are required to enter information for all contracts into the eCAPS budget/accounting system upon contract award, the eCAPS system contains cost information about all County contracts, but does not identify which contracts are subject to the LWP. Therefore, the County does not currently have a single database that can be used to track the impact of the LWP.

As an immediate solution to tracking LW contract costs, we believe the existing OAAC-maintained database of active LW contracts should be utilized as the source document for tracking these contracts and the A-C will reconcile this information with eCAPS to verify contract costs.

We believe this relatively expedient approach meets our immediate need to produce reasonably reliable estimates of LW contract costs. We will monitor this approach to ensure it meets your Board's stated desire to develop and implement an automated system for tracking LW contract costs. Over time, and consistent with continued development of countywide systems, we will determine if superior approaches are advisable and feasible, and will make appropriate recommendations to your Board accordingly.

Annual Presentation of Living Wage Contract Costs

On February 15, 2007, your Board was provided with the LWP Annual Report by OAAC. This comprehensive report provides an overview of departmental compliance, contractor compliance, and LWP accomplishments. Included in this report was the following statistical information pertaining to Living Wage contractors offering health care benefits to their employees:

- For the period of October 1, 2005 through September 30, 2006, OAAC identified 94 contractors providing services on 226 LWP contracts.
- 53 contractors (57 percent) paid the then current LW rate of at least \$9.46 per hour and did not offer any form of health benefits
- 31 contractors (33 percent) paid at least \$9.46 per hour and also provided some form of health benefits.

Each Supervisor
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- 10 contractors (10 percent) paid at least \$8.32 per hour and contributed at least \$1.14 per hour toward health benefits per the LWP requirement.

In the future, the LWP Annual Report can be enhanced to include information captured as a result of the reconciled information from the OAAC database with the eCAPS system. This information will include the total number and costs of LW contracts. It will also include the updated LW rates calculated utilizing the A-C's methodology and the increased cost the County would bear in the event that your Board opts to increase LW rates based on the information.

In addition to the above and as part of our ongoing administration of the LWP, my Office will work with OAAC to modify the existing employee interview questionnaire to better capture pertinent employee data and incorporate this information in the next LWP report. We will attempt to determine whether there is any legal and practical way to elicit information that can be used to determine if the LWP has resulted in savings to the County health system. At a minimum, the questionnaire will request information concerning whether employees are either receiving health insurance from their employer, are they opting to use their increased wages to purchase health coverage, or are they doing neither.

Please let me know if you have any questions regarding this memorandum, or your staff may contact Vincent Amerson of this Office at (213) 974-1168 or vamerson@cao.lacounty.gov.

DEJ:MKZ
MLM:VLA:pg

c: All Department Heads